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THE MONETARY CONFERENCE OF 1892.

A COMMITTEE of commerce representing the North German states met in December, 1869, whose report urged upon North Germany a unitary system of money with a gold standard. In the following summer, just before war with France broke out, delegates from those states held at Berlin a convention in aid of the reform. Sore as was the need of this, no beginning could be made while war was on. Hardly, however, had peace come and the empire been set up, when the imperial law of December 4, 1871, ordained the monetary *régime* now in force in Germany, which the law of July 9, 1873, completed. By these acts Germany put away her ridiculous old monetary chaos based on silver and established a system built upon gold.[1]

In 1872, in order to stock up with gold, Germany began to sell her silver, whereupon the gold price of this latter metal commenced that career of decline which has continued ever since, and threatens to go still further. In 1873 Denmark, Sweden and Norway followed Germany's example, entering into a monetary union having a coinage system founded upon gold.[2] Holland went over to gold monometallism by a law of June 6, 1875. The United States began paying gold January 1, 1879, as did Italy early in 1883. By the beginning of 1883, no less than a billion dollars in gold, equal to the product of the

[1] The unit of this is the Mark, containing 5.5311 grains of pure gold, or 6.1457 of standard gold, nine-tenths fine.

[2] As their unit, they adopted the Krone, of such weight (*viz.* 6.226 grains) of fine gold, that a kilogram of this makes 124 twenty-Kronen pieces.

world's gold mines for ten years, had been called for by the countries named.

On December 18, 1873, fearing a disastrous influx of the metal from Germany, Belgium suspended the free coinage of silver, the other states of the Latin Union following on January 31, 1874. Holland, too, this same year, gave up coining silver for private account. On December 21, 1876, Belgium wholly ceased striking standard silver coins. Russia took the same course, also in 1876; France and Switzerland in 1877; Italy a little later.

Nearly at the same time with these changes, demonetizing silver and requiring new gold, the flow of silver to the East decreased, and the yield of the American silver mines increased. Both phenomena tended to depress the value of silver and to lower its price in gold. Early in November, 1872, for the first time since 1852, silver sold in London under sixty pence per ounce. In 1871, silver prices for the year being averaged, 15.58 grains of silver would buy a grain of gold. In 1872 it took 15.63 grains of silver to do this; in 1873, 15.92; in 1874, 16.17; in 1875, 16.58; in 1876, 17.88; in 1878, 17.94; in 1879, 18.40. After 1879 the appreciation of gold in terms of silver was hardly sensible until 1885, when it required 19.41 grains of silver to buy one of gold. For 1889 the figure was 22.09.

This changed value relation between the metals, unheard of before in modern times whatever the relative amounts of their production and consumption, led careful minds to the view that the demonetization of silver must have been the chief cause of the disturbance. In 1878, as a part of the Bland Act, Congress made provision for securing, if possible, an international conference upon the question. This was called, and assembled in Paris, August 10, 1878. Besides those from the United States, delegates were sent by England, Holland, Sweden, Norway, France, Belgium, Switzerland, Italy and Austria-Hungary. Léon Say was president. After seven sessions the conference dissolved on August 29, without "transactional" result. The German Empire did not participate.

The British delegates, while strongly favoring the continuance of silver as full money elsewhere, declared that Great Britain would not give up gold monometallism. The representatives of Sweden, Belgium and Switzerland avowed the same disposition on behalf of their respective governments.

The principal effects of this conference were that public attention was called in an impressive way to the evils which seemed to have sprung from the demonetization of silver, and that Germany presently, in 1879, terminated her sales of silver, which have not been renewed.

In preparing for specie payments in 1878, the United States drew immense sums of gold from Europe, proving the advantage which America has in a fight with Europe for this metal. On account of our tariffs, Europe was unable to send us commodities for the entire volume of our exports, but had to pay for these in great part by gold. The European supply of this metal fell off considerably, and France was the worst sufferer.[1] Accordingly when, in 1881, preparations were making for a second conference, France joined the United States in inviting the other nations. The calls were issued in February. Germany now gave up her attitude of reserve and accepted the invitation. Eighteen states assembled to take part in this conference, which opened at Paris on the 19th of April, 1881. The sessions continued, with a brief recess in May, into the month of July, but the result was nearly as negative as before. Germany and England still declined to change their coinage systems, though delegates of both nations encouraged efforts to continue the monetary character of silver. Germany unreservedly favored its rehabilitation, regarded this as attainable, and was even willing to help it on, partly by postponing and partly by giving up altogether her sales of silver. Notice was given that under certain conditions the Bank of England would

[1] In 1876 France imported 600,000,000 francs in gold; in 1880 but 194,000,000. Meantime its gold export grew from 90,000,000 francs to 413,000,000. In 1876 the vaults of the Bank of France held 1,539,000,000 francs gold, 640,000,000 francs silver; in 1880, 564,000,000 francs gold, 1,222,000,000 francs silver. The monetary woe of Europe was not lightened by Italy's preparations for specie payments, requiring 444,000,000 lire in gold.

considerably enlarge its holdings of silver. While unwilling to coin silver without the great states, Holland strongly voiced the conviction that international bimetallism was the only cure for the world's monetary ills. Italy was prepared, even without Germany and England, to join the rest of the Latin Union and the United States in re-opening mints to silver, if Germany would only abstain from selling silver and withdraw her smaller gold coins, and Great Britain would enlarge the legal-tender competence of her silver crowns.

After thirteen sessions the conference adjourned till April 12, 1882, to give governments an opportunity for reflection and negotiations. It did not re-convene.

After this adjournment no international body bearing an official character met for the study of monetary problems until last year, though a congress of private individuals went into the subject at Paris during the exposition there in 1889. Meantime incessant agitation went on, which, with the continued appreciation of gold, led in the summer of 1887 to the creation of a royal commission in England to investigate the relations of gold and silver. The work of this commission was very thorough. It gathered an enormous amount of testimony and examined a great number of experts, only finishing its labors in October, 1888. Its report embraces, first, a general part, conveying information, and signed by all the members; second, a more explicit portion, containing views of policy with reference to remedy. This latter part includes two sections, one favoring the maintenance of monometallism, the other being a plea for international bimetallism, and these two sections bear an equal number of signatures.

The bimetallists merely recite, though in a very able way, the standard arguments for bimetallism; but the monometallists, Lord Herschell, Sir Charles W. Fremantle, Sir John Lubbock, T. H. Farrer, J. W. Birch and Leonard H. Courtney,[1] make admissions in virtue of which this report marks an epoch in the history of monetary theory. Arguing "as well *a priori* as from the experience of the last half century," they say:

[1] Mr. Courtney has since become an ardent bimetallist.

We think that in any conditions fairly to be contemplated in the future, so far as we can forecast them from the experience of the past, a stable ratio might be maintained if the nations we have alluded to were to accept and strictly adhere to bimetallism, at the suggested ratio. We think that if in all these countries gold and silver could be freely coined, and thus become exchangeable against commodities at the fixed ratio, the market value of silver as measured by gold would conform to that ratio, and not vary to any material extent.

Touching the fear that gold would disappear from a bimetallic league, they add :

If the arrangement included all the principal commercial nations, we do not think there would be any serious danger of such a result.

These gentlemen had already joined the bimetallist commissioners in the following statement relating to the cause of the decline in silver measured by gold :

Looking to the vast changes which occurred prior to 1873 in the relative production of the two metals without any corresponding disturbance in their market value, it appears difficult to us to resist the conclusion that some influence was then at work tending to steady the price of silver, and to keep the ratio which it bore to gold approximately stable.

These considerations seem to suggest the existence of some steadying influence in former periods, which has now been removed, and which has left the silver market subject to the free influence of causes, the full effect of which was previously kept in check.

Now, undoubtedly, the date which forms the dividing line between an epoch of approximate fixity in the relative value of gold and silver and one of marked instability, is the year when the bimetallic system which had previously been in force in the Latin Union ceased to be in full operation ; and we are irresistibly led to the conclusion that the operation of that system, established as it was in countries the population and commerce of which were considerable, exerted a material influence upon the relative value of the two metals.

So long as that system was in force, we think that, notwithstanding the changes in the production and use of the precious metals, it kept the market price of silver approximately steady at the ratio fixed by law between them, namely, 15½ to 1.

Many confidently believed that the plentiful purchases of silver by the United States under the Sherman Act of 1890 would raise the gold price of this metal to its old figure. For a time such a result seemed likely, but the hope proved illusory. After a remarkable elevation for a brief period in 1890, the price fell to a lower level than ever, leaving the United States in a precarious financial condition, having upon its hands a large amount of uncoined silver, paid for in paper which the country had avowed the purpose of redeeming in gold on demand.

This new collapse in the gold price of silver caused grave concern in Great Britain as well. Independently of bimetallist agitation, considerations of a momentous character urged upon England all possible effort to prevent further divergence of the two metals. Enormous sums are payable by India to Great Britain in terms of silver rupees, for which, of course, the British recipients realize less and less gold in proportion as silver falls. Moreover, the Indian government has to pay to England each year some £15,000,000 *in terms of gold.* The actual payment is of course made in produce, of which fifty per cent more is required than sufficed twenty-five years ago to liquidate the same amount of indebtedness — a great hardship to India. In addition to this, the lack of a fixed par of exchange between Calcutta and London had turned Great Britain's trade with India into a veritable game of hazard. Driven to it by the difficulty of commerce with England, India had built immense manufactories of its own, exporting their products in vast quantities to China and other silver-using countries. Rightly or wrongly, almost the entire depression of British trade was laid by very many to the dislocation of the old value-relation between the two money-metals.

Meantime a strong movement had been begun in Austria-Hungary for rationalizing the monetary system of that monarchy. Surrounded as it is by gold-using states, it could not do otherwise than choose gold for the basis of its new currency. It accordingly thus elected, and arranged for the purchase of great sums of gold. This, at a time when Russia, too, was

amassing gold, and France and Germany were carefully husbanding their supplies, when Italy was finding it impossible to prevent a premium on gold, and when the Bank of England itself had recently been forced to borrow three million pounds sterling of gold from France, made the monetary outlook gloomy as well for the Old World as for the New. A great many thoughtful men, not in the least inclined to be bimetallists, believed that gold was becoming too scarce to serve as the sole money of ultimate payment, and that consequently it would be of great advantage if a larger monetary use could be made of silver.

It was in the light of the events thus cursorily reviewed that the President of the United States, early in 1892, issued his invitations for a third international conference upon the silver question. Recognizing that some European countries not yet ready to adopt bimetallism might still be willing to confer touching plans more general than that, he couched his circular in such terms that all nations could consistently accept who might think the question of a larger monetary use of silver worthy of discussion at all.

The states of Europe, without a single exception, and also Mexico, accepted the invitation, making with the United States twenty in all, and at the first meeting of the conference every one of the fifty delegates was present. Mr. Beernaert, premier and finance minister of Belgium, opened the proceedings with an address. Mr. Montefiore Levi, a Belgian senator and one of the Belgian delegates in the conference, was chosen president. Mr. Edwin H. Terrell, United States minister at Brussels and a member of the United States delegation, was made vice-president, and Mr. Georges de Laveleye, editor of the *Moniteur des Interêts Matériels*, general secretary.

As it seemed to be thought that the United States delegates should provide an order of business for the conference, they presented at the second session, November 25th, a statement and program to which the conference adhered in all its subsequent deliberations. After rehearsing the considerations which had led to the convoking of the conference, this paper

offered a resolution that, "in the opinion of this conference, it is desirable that some measures should be found for increasing the use of silver in the currency systems of the nations." The program stated frankly that the United States delegates believed bimetallism, if adopted by a number of nations, to be the best and the only satisfactory plan for the extended monetary use of silver; but expressed the wish that some of the governments, or their delegates, should offer plans short of bimetallism that might be expected to attain the desired end. In addition to any other such plans the United States delegates themselves suggested two, namely, that of Moritz Levy, proposed to the Monetary Conference of 1881, and that of the late distinguished A. Soetbeer, dated at Göttingen, August 5, 1892.

Debate was at once begun upon the initial thesis of the American program, that it is desirable to find some means of increasing the use of silver in the currency systems of the nations — a proposition which merely restated the terms of the invitation under which the conference had convened. The delegates of Germany, Austria-Hungary and Russia hastened to say that they were inhibited by their instructions from debating or voting upon any resolution whatever, while as to this particular resolution Roumania, Portugal, Turkey and Greece, though without special instructions, felt compelled to similar reserve. Great Britain, Spain, Denmark, Mexico and Holland favored the proposition unequivocally. So, in effect, did France and the whole Latin Union, though with a certain hesitancy which led the English delegates to regard these delegations as at this time "disposed to criticism rather than to cordial co-operation with the object of the conference." One is not driven to this view of their conduct. They doubtless meant not to favor any scheme which involved further silver purchases by their states; but their later utterances proved that there was not a delegation of the Latin Union which did not regard a larger use of silver money as a good thing for the world, though two or three individual delegates may have doubted this.

Forssell (Sweden), Raffalovich (Russia) and Boissevain (Holland) deprecating an immediate vote, and the Americans not insisting on this, the resolution was tabled for the day, while, owing to subsequent matters more important than an expression of mere formal opinion, the consideration of it was not renewed. At almost any later date the resolution would have been adopted by a very large *per capita* majority of the conference, including the delegations of all the leading states. It is doubtful, in fact, if a single vote would have been cast against it.

In the course of this second meeting, Mr. Alfred de Rothschild, of the British delegation, presented a proposal looking to the purchase of silver by Europe, which received much attention both in the conference and from the public. The substance of this as first offered was as follows: On condition that the American government should continue its purchases of silver,

> the different European powers should combine to make certain purchases, say to the extent of about five million pounds annually, such purchases to be continued over a period of five years, at a price not exceeding forty-three pence per ounce standard; but if silver should rise above that price, purchases for the time being to be immediately suspended.

Mr. Rothschild accompanied this motion with a paper in which, while insisting upon gold monometallism as the sole possible policy for England, he recognized "great grievances both in India and China in connection with the silver question," such that "if anything could be done towards diminishing those grievances, it would be extremely desirable." He raised the question whether it were "not possible to extend the use of silver generally and thereby stop a further fall, the disastrous consequences of which no one can foresee." He could "see no objection to silver being made a legal tender in Great Britain up to five pounds, instead of two pounds, as it is at present." In conclusion Mr. Rothschild declared:

> If this conference were to break up without arriving at any definite result, there would be a depreciation in the value of silver which it

would be frightful to contemplate, and out of which a monetary panic would ensue the far-spreading effects of which it would be impossible to foretell.

The Rothschild proposal, with the schemes of Moritz Levy and Soetbeer, was before the conference at the beginning of the third meeting, and as the American delegation had recommended, the discussion of these was declared the next thing in order, spite of Mr. Tirard's idea that bimetallism should be debated first. Much work needed to be done upon the three schemes named before they were fit to be taken up by the full conference. At this meeting, therefore, a special committee was created for the preliminary examination of these and similar suggestions. Messrs. Cannon (United States), Casasus (Mexico), Cramer-Frey (Switzerland), Foville (France), Osma (Spain), Forssell (Sweden), Fremantle (Great Britain), Molesworth (British India), Raffalovich (Russia), Sainctelette (Belgium), Simonelli (Italy), Tietgen (Denmark), van den Berg (Netherlands), and the president and the secretary of the conference, composed this committee.

These gentlemen did much important work, and their two reports are most valuable. They directed their inquiries primarily to four points: (1) the possible restriction of silver production by taxation; (2) the future course of silver production; (3) the intention of the United States as to continuing the purchase of silver; and (4) the future monetary policy of British India. From the evidence adduced the committee saw no hope of limiting the world's silver output by legislative means. No testimony indicated that any deluge of silver was to be feared, the probability seeming to be in the opposite direction, to the effect that the maximum production had been nearly reached, even if not reached or passed already. Regarding the third question, the committee was informed that the United States Silver Purchase Act of 1890 would almost certainly be repealed before very long, its repeal having been urged by both the great political parties. Touching India, Sir Guilford L. Molesworth declared that no change would be made in the monetary system of that country so long

as there was any hope of international bimetallism. The adoption of the gold standard there, he said, would be fraught with sore difficulties, yet might have to be tried as a last resort.

The committee also carefully examined Mr. Rothschild's plan, he having expressed a willingness that before submitting it to the governments the conference should supplement it in any way thought proper. Members of the committee pointed out in it several grave defects. They urged that the silver bought ought certainly to be put to a monetary use. Mr. Cannon was quick to expose the unfairness of expecting the United States to purchase much more heavily than all Europe together and to buy at the market price, whereas Europe was never to pay more than forty-three pence an ounce. The Rothschild program came out of committee somewhat improved, yet still highly objectionable. It read :

1. The European states which might form an agreement on the basis of this proposal would buy each year thirty million ounces of silver, on condition that the United States should agree to continue its present purchases, and that unlimited free coinage be maintained in British India and Mexico.

2. The proportion of the purchase to be made by each country would be determined by agreement.

3. The purchases would be made at the discretion of, and in the manner preferred by, each government.

4. These amounts of silver would be devoted in each country to the monetary uses authorised by its laws ; and the silver would be either coined or made the guarantee for an issue of ordinary or special notes, as each government might think fit.

5. The arrangement would be made for five years. The obligatory purchases of silver would be suspended, should the metal reach, in London, a price determined by agreement between the governments. The purchases could be resumed if the delegates of the different countries interested should agree upon the fixing of a new limit of price. They would be resumed in any case if the price fell below the original limit.

The Soetbeer draft the committee considered very able, but too involved to be the basis of an international agreement. In

accordance, however, with the Moritz Levy idea, they suggested (1) the withdrawal from circulation within a determined period of gold coins containing a weight of less than 5.806 grammes of fine gold (twenty-franc pieces); and (2) the withdrawal of notes of a less value than the coin of twenty francs, an exception being made of notes representing deposits of silver.

Not having been charged to recommend the adoption of any plan, the committee reported back the results of its work, to be passed upon in full conference. A decided majority of the committee favored the Levy recommendations, though not regarding them as of great importance; but the British delegate in the committee, Sir Charles W. Fremantle, said that to carry them out would cause Great Britain considerable inconvenience, and that therefore he and his colleagues could not favor such a course unless it were to be joined with some policy like that of Mr. Rothschild, by which other countries could assist in supporting the gold price of silver.[1] To obviate this objection several members of the committee favored some modification of the Rothschild notion, but the representatives of the Latin Union on the committee, evidently determined that their governments should purchase no more silver, would not agree to this. On the contrary they went so far as to offer a formal motion, that even if such a plan were adopted by the conference, they could not recommend it at home. This

[1] In order exactly to describe what has occurred, this article everywhere speaks of a "fall in the gold price of silver," or "in silver as measured by gold." Silver may, indeed, be said to have "depreciated," *i.e.*, its "*pretium*" has, in gold-using lands, gone down. But "depreciation" is a highly ambiguous term and should not be applied to silver, as nearly all who use or read it when so applied, giving it its more usual signification, take it to mean that silver has lost in *value* or *purchasing power*, which is false. Since 1873 silver has quite remarkably maintained its *value*, but, in common with commodities in general, has become less able, per grain, to *command gold*, that is, it has fallen in gold price. "General fall in gold prices" is of course but another name for "appreciation of gold." Laughable are the efforts of many, witness even Mr. Gladstone in Parliament on the 28th of February last, to show that gold has since 1873 had a more stable value than silver. Gold they measure by itself, and silver they measure by gold, not seeing that to give their statement any meaning, they need a criterion of steadiness different from either metal, *viz.*, the prices of commodities in general.

motion passed the committee by seven votes against six, Forssell (Sweden), Raffalovich (Russia) and Tietgen (Denmark) joining the four representatives of the Latin Union to suppor it, while all the other members of the committee opposed.

Such were the questions brought before the conference in the first report of this committee. The report formed the subject of debate at the fourth session, and, as was natural, chief attention was devoted to the part of it presenting in its new form the Rothschild scheme. This part of the discussion took an unfortunate turn. Delegates seemed to think that inasmuch as the committee had modified the scheme considerably, no further changes in it could be effected. Consequently, instead of making an effort to remedy still further its defects, which in the judgment of the writer would have been entirely feasible, nearly all who spoke animadverted upon it so severely that Mr. Rothschild felt its fate to be sealed. He, therefore, at the beginning of the fifth session, withdrew it, whereupon discussion began upon the United States proposal of bimetallism.

This discussion was most interesting and was participated in by nearly all the distinguished members of the conference. Foremost in it were Senator Jones, Sir William H. Houldsworth, Sir Guilford L. Molesworth, Boissevain and van den Berg of Holland, Allard and Weber of Belgium, Forssell of Sweden and Tirard of France. What was said threw much light upon the opinions held in various countries on important monetary questions. The matured views of bimetallists were elicited, and a strong attack was made from the monometallist camp to drive their theory to the wall. The chief addresses on the gold side were those of Weber and Forssell. Mr. Weber said nothing new, but presented in a very able manner the line of argument concerning the increase in the world's wealth, the plentifulness of gold in the great banks, the fall of prices as a consequence of cheapened production, and so on, made familiar in this country by the writings of Professor Laughlin and Mr. David A. Wells.

Mr. Forssell went into the subject much more deeply, revealing extraordinary originality and learning. His argument, however, seemed to the writer more cunning than conclusive. His course of thought was meant to show the novelty and untried character of precisely the project advocated as international bimetallism. He insisted that much danger of treachery must inhere in a compact made for such a purpose, — a fact which of course would be fatal. But everything that was of weight in this speaker's argument turned upon his main contention, that however large any international gold and silver basin should be, its gold might either leak out of it or be lost in it. He did not indicate in the least how gold could possibly leave the basin; but what he said of its conceivable disappearance inside the basin, — as to the possibility, that is, of a serious dearth of gold occurring within the compass of a bimetallic league, — is certainly well worth the attention of bimetallists. The thought was first advanced by Professor Lexis. It is not proposed to canvass it in this place. Suffice it to say that a contingency of the kind, if possible at all, could only arise in case of such an unexpected scarcity of gold as must put gold monometallism absolutely out of the question save for one or two nations at most. Therefore, even supposing Professor Lexis and Mr. Forssell correct in their view, an effort at international bimetallism is more rather than less advisable, though the ratio may need to be 20 or 25 to 1 instead of 15½ to 1.

The bimetallist arguments were far more numerous and diverse. Only a suggestion of their scope can be given here.

1. Bimetallism was alleged to be in perfect scientific accord with the law of supply and demand, instead of traversing this law, as it is charged by monometallists with doing. It was maintained: You of course cannot fix a value-relation between two wares, say gold and silver, independently of supply and demand as realized between them and between each of them and commodities in general. But between gold and silver, at any rate, a league of strong nations *can fix the relation of supply and demand itself*. Vastly the larger part of all gold and of all silver which has not been made into merchandise exists in the

form of money. Now, of the gold and silver in the form of money the great governments acting together would have a monopoly. Their fiat touching the legal equivalence between given mint-units of the two metals would regulate the actual rates at which those units would exchange with each other. By the well known law of prices when articles are affected by monopoly, the unwrought gold and the unwrought silver not existing as money would follow in value the monetized part.

2. No monometallist in the conference denied that prices have fallen (gold appreciated) since 1873, but several, recognizing the phenomenon, sought to account for it in the usual monometallist manner as the result of copious wealth production. In reply the figures of Jevons, Sauerbeck, Soetbeer and others were cited, which seem to prove that whereas from 1850 to 1870 the world's production of wealth increased on an average 2.75 per cent annually, the average gain between 1870 and 1885 was but 1.6 per cent. It was also set forth that the intrinsic costs of things were falling before 1873 as rapidly as after that date, though in the earlier period prices were rising and extraordinary prosperity prevailed. As still further proof that the fall of prices since 1873 has not proceeded merely from cheapening in intrinsic costs, the conference was reminded that falling costs imply prosperity, high interest and dividends, good wages and profits, few strikes and lock-outs, rapidly multiplying industrial undertakings and rapidly increasing wealth, none of which features fairly characterize the world's economic life since 1873. The vast injustice which the fall of prices causes in the payment of debts and the fulfillment of contracts was dwelt upon somewhat, — less, doubtless, than would have been the case had it been seriously questioned by any.

3. To the proposition that the world's supply of gold is still ample, which had been assumed rather than asserted, several forms of reply were used. The figures and critical estimates of Soetbeer and Leech were adduced, indicating that nearly all the gold now acquired from year to year goes into hoards or manufactures, or is shipped to the East, while population

and business are everywhere increasing. Soetbeer, not a bimetallist, was further quoted as having demonstrated in his last work that the abundance of gold in banks does not prove an increase in the general stock of monetary gold. It was argued that a general paucity of gold would, by leading to its appreciation, inevitably operate to glut the financial centres, tending to make the holding of money more profitable than investment in productive industry.

4. Several times in the course of the debate attention was drawn to the fact that monometallists no longer urge, as many did fifteen years ago, that silver be demonetized everywhere. This was hailed as a silent recognition of paucity in the yellow metal available for money. Yet Mr. van den Berg, in many respects the ablest monetary authority in the conference, powerfully urged that gold monometallism is tenable only in that primitive form. You cannot, he said, permanently maintain gold monometallism anywhere unless you can do it everywhere. The world of commerce will not brook division into monetary hemispheres. It will not tolerate the chaos of one basal money for the West and another for the East, one for advanced commercial nations and the other for cruder communities, one for the mother land, the other for colonies. In returning to hard money, Austria must choose a gold basis in order to trade with her neighbors. So Roumania. But the motive works elsewhere as well as in Europe. Failing bimetallism, the merchants of English and Dutch India and of Mexico will clamor for gold as basal money for those lands and will get it if they can. The conflict for gold, if it is not paired with silver, must be not only irrepressible, but more and more bitter without end.

5. It was denied that any over-production of silver has occurred. From 1800 to 1820 silver formed three-fourths of the world's precious metal output, gold one-fourth. From 1850 to 1870 the relation of the two metals was exactly reversed, the output of gold having sprung from an annual average of 55,000 kilos between 1841 and 1850 to one of about 200,000 kilos between 1850 and 1870. Michel Chevalier

and Cobden then fancied the production of gold excessive, and Chevalier wished to demonetize this metal. All now agree that they were in error ; for even after 1850 gold was at no time so abundant that a grain of it would not bring 15½ grains of silver in France. There were brief periods when it came a trifle short of doing this in London, owing to the state of Paris exchange. In 1892, 197,000 kilos of gold were produced in the world, six times the annual average for the years from 1831 to 1850. The silver yield for 1892 was 4,480,000 kilos, less than six times the annual average between 1831 and 1850. If the world's yield of gold suddenly increased some 300 per cent and maintained the gain for twenty years without any over-production, who can speak of over-production in silver on account of an increase, very gradual, from an annual average of 1,654,000 kilos between 1866 and 1875, to one of 2,930,000 kilos for the last seventeen years, or about seventy-seven per cent ? Notwithstanding demonetization, no large stocks of silver bullion even now exist save that of the United States government, which will in all probability never be put upon the market. The low gold price of the metal is fixed by the comparatively small quantities here and there which do remain unsold.

6. The allegation of certain speakers that bimetallism had strong affinities with protection invited the bimetallists to set forth their view of the relation between these doctrines. It was ascertained that many of the strongest foes of bimetallism are protectionists, and many of its chief advocates free-traders. One speaker affirmed that the refusal of free coinage to silver in so many nations, annihilating all fixity in the par of exchange between the gold-using and the silver-using parts of the world, thus turning commerce between these into a mere game of chance, was doing more to restrict freedom of trade than all the tariffs in existence. The charge that bimetallism is artificial was met partly by the argument traced above, under "1," and partly by showing the necessity that the amount of metallic or fundamental money should increase somewhat in proportion to population and business. In connection with this the nature of credit was considered, the view of Jevons being insisted on,

that credit cannot permanently supplant money, and can be safely expanded only as its hard-money basis expands. It was also remarked that, as a matter of fact, credit has not increased very much since 1873, the amount of cheques cleared at the London clearing house having been the same in 1887 as in 1870, *viz.*, about £6,077,000,000. It was held that if gold is the more suitable money for large transactions, silver certificates share much of its advantage here, while for all smaller dealings, involving immense sums in all, silver is far preferable even in the wealthiest countries. In the light of these facts, the demonetization of the white metal was declared to be "much the most flagrant and disastrous rupture of natural law ever committed by the action of states, not excepting any legislation in the history of mercantilism."

The debate on bimetallism occupied most of sessions six, seven, eight and nine. British delegates had from the outset asseverated that Great Britain would not adopt this system. Germany and Austria-Hungary let it be inferred that they would not do so, at least without England. France explicitly declared this to be her attitude. It would hence have been useless to bring the question of bimetallism to a vote — a thing, in fact, which was at no time intended. Under the circumstances such a vote could have borne no relation to the weight of argument, and would have begotten more or less discord, needlessly hindering future work. And much of this remained. Except in committee, there had been no canvass of the Moritz Levy plan. It was strongly hinted that the Rothschild program was to be revived in a more pleasing form. Besides, the entire second report of the special committee, full of important matters, waited untouched for examination in plenary session.

This report dealt with six different suggestions for the relief of the monetary situation :

1. That of Mr. Tietgen, proposing a union of states for the free coinage of silver at a ratio to gold as near as possible to that of bullion in the market, the coins to be full legal tender and to circulate internationally, each state being bound to redeem its own in gold.

2. That of Sir Wm. H. Houldsworth, based upon a project prepared by Mr. Huskisson in 1826 for the consideration of the British government. This Houldsworth-Huskisson measure, presupposing bimetallism in one, two or three states, is intended to guarantee the success of this by aid of other states, rendered through some means short of bimetallism. These non-bimetallic states receive silver bullion, issuing therefor certificates which name each the gold value of the silver at the date of deposit. The certificates circulate as legal tender in all transactions, and are redeemable each in the weight of silver for which it was issued. If silver has risen, the holder gains; if it has fallen, he loses.

3. That of Mr. Allard, being an international application of a recommendation made by Secretary Windom in his report for 1889, to issue treasury notes against deposits of silver at its market price when deposited, each payable on demand *at its original value*, in gold, silver coin or silver bullion. Here, the government instead of the certificate holder gains or loses from fluctuations in the gold price of silver.

4. That of Mr. de Foville, advocating international legislation for the recognition and encouragement of silver warrants issued by mints and great banks, these to be commercial rather than monetary in nature, and negotiable without legal-tender quality or guaranty by governments.

5. That of Mr. Forssell, signalizing as capable of wider application the form of compact already in vigor between the national banks of Sweden, Denmark and Norway. Each of these banks has an account with each of the others, a cheque being honored by the drawee bank even when the bank drawing it happens to have no cash on deposit with the drawee.

6. That of Messrs. Montefiore Levy and Sainctelette, proposing that mints and government banks receive "Siamese twin" deposits, each consisting in a given amount of gold and a given amount, say twenty or twenty-five times as much in weight, of silver, issuing for each such twin deposit a certificate redeemable only in the very weight of gold and silver deposited. The proportion of the silver to the gold in a deposit may, if

necessary, be changed from time to time by an international commission. The certificates form a quasi-money, likely to be very useful in settling international balances.

The report containing these projects and the committee's reflections upon them gave the conference plenty of unfinished business at the end of the ninth meeting. But it was now December 15, when all agreed that the conference must soon adjourn for the holidays. The recess might have ended, say, January 5, but there was a general conviction that a longer interval was desirable, to enable governments to consider the various measures placed before the conference, so as to express more exactly their views and wishes. Therefore, at the tenth meeting, December 17, Baron di Renzis, of Italy, who, after Mr. Tirard's departure to become finance minister to the French government, was the leading delegate of the Latin Union, offered this resolution:

> The International Monetary Conference, recognizing the great value of the arguments which have been developed in the reports presented and in the discussions at the meetings, and reserving its final judgment upon the subjects proposed for its examination, expresses its gratitude to the government of the United States for having furnished an opportunity for a fresh study of the present condition of silver.
>
> The Conference suspends its labors and decides, should the governments approve, to meet again the 30th of May, 1893. It expresses the hope that during the interval the careful study of the documents submitted to the conference will have permitted the discovery of an equitable basis for an agreement which shall not infringe in any way the fundamental principles of the monetary policy of the different countries.

The motion was supported in a number of very strong speeches, and passed without a dissentient vote.

In conclusion a few observations are pertinent to the foregoing *résumé*.

1. Judging by the utterances, public and private, of their delegates, the European cabinets must consider the monetary condition of the Western World with considerable concern.

As Sir Rivers Wilson, an uncompromising monometallist, chairman of the British delegation, remarked in the second session:

> There can be no question, in our opinion, that all the governments who have sent representatives to this conference, even those who have instructed their delegates to act with the greatest reserve, recognized the presence of a danger; otherwise there would be no justification for our presence here.[1]

2. The old serenity of monometallist faith is much discomposed. The apostasy of theorists like Schaeffle and Wagner and of practical students like Hucks Gibbs, Goschen and now Courtney, has had much effect. More influential still, in this way, have been the growing scarcity of gold relatively to the need of it, the incessant fall of prices, confined to the gold-using world but universal there, and the distress which international commerce suffers from the disappearance of all fixity of par between the gold and the silver nations. If monometallism still has able champions, as it most certainly has, either governments for some reason sent few of them to this conference, or most of those sent preferred silence to speech.

3. Not a particle of doubt is possible that Germany, Austria-Hungary, Russia and France, with the whole Latin Union, and indeed all continental Europe, would resume the free mintage of silver if Great Britain would lead the way. As Baron di Renzis said in the address with which he accompanied his motion that the conference adjourn:

> From all sides in this assembly — and the fact is apparent in every speech which has been made, whether the speaker stated it openly or merely alluded to it — eyes are turned toward England. It is perceived and recognized that England has to fill a preponderant rôle upon this question. All the world is waiting to see that great country set the goodly example for which we hope. The speeches of

[1] Most of the great European newspapers, influenced by those who are, or think they are, benefited by the continued appreciation of gold, either misapprehend or misrepresent both the facts of the monetary situation and the views of responsible monetary officials touching these facts.

many delegates have appeared almost like reproductions of an historic phrase. In this struggle for the rehabilitation of silver everybody in fact has seemed to be saying: "*Messieurs les Anglais, tirez les premiers.*"

4. Will the British, thus invoked, "be the first to fire?" Will they fire at all? None can say. What is certain is that they ought to, and that a conviction to this effect is entertained more and more widely in England itself. This was shown by the vote in the Commons last February 28th, on Sir H. Meysey-Thompson's motion that the House express itself in favor of reconvening the Brussels conference. Recent advices assure the writer that this motion would almost certainly have passed had not the government unexpectedly taken the position that its adoption would be regarded as equivalent to a vote of lack of confidence, thus securing against it the suffrages of many who really favored it. As it was, the motion was lost by a majority of only 81 in a House of 381. On April 18, 1890, only three years ago, a similar motion, encountering no adverse effort, was lost by a majority of 96 in a House of only 270.

5. At any rate England will not change to bimetallism at present. What can be done meantime? Is it of any use for the conference to reconvene, particularly as from the attitude of our Congress Europe is permitted to hope that she can in a little while get all our gold?

A twofold reply may be made to this. First, the silver imbroglio being so complicated and so serious, the nations cannot afford to dissolve the conference till every proposition now before it, as well as all new ones having aught of promise, have been fundamentally studied. For lack of time the conference has not yet really sounded a single one of them. Further, two at least of the drafts already submitted are at once so simple and so meritorious that the conference might quite possibly unite upon one of them. Mr. Allard's is in this case. Hazardous as the Windom plan would have been for the United States alone, a syndicate of strong nations could, in the writer's judgment, adopt it with entire safety, and through it, without

loss to any one and with incalculable benefit to humanity, restore silver to its old price and function.

Were this plan rejected, that of Moritz Levy remains, which, modified a little, could hardly fail of being acceptable to all. Let the nations withdraw from circulation every gold coin weighing less than the twenty-franc piece, with every uncovered note worth less than twenty francs, and fill the gap thus opened with new silver, to circulate either as coin or through certificates. Some such proposal has been long before the world and has been endorsed in many quarters. It might conceivably even lead to bimetallism; but should it not, it would still have numerous advantages. France herself could hardly object to it. Its execution — as would be the effect everywhere — would richly replenish her gold centres, bringing into them the bits of gold now scattered among the people and useless in emergency. Thus, while the measure would somewhat raise the silver proportion of the country's total metallic money, upon its central metallic stock — which is a more important consideration — it would have the reverse effect. And the plan would be well worth trying, if France had to be excused from buying silver under it.

E. Benj. Andrews.